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March 16, 2004

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The Honorable Dennis Hastert
Speaker
United States House of Representatives
The Capitol, Room H-232
Washington, D.C. 20510

Dear Speaker Hastert:

We are writing to express dismay over the fiscal year 2005 budget resolution being considered by the House Budget Committee on Wednesday. This proposed budget would severely damage our nation's healthcare system, miss an opportunity to create nearly 500,000 new jobs by adequately funding transportation, and would continue to shortchange our schools. An equally disappointing consequence of this budget is that it would further undermine the federal-state partnership at a time when states continue to face debilitating budget deficits.

While this budget is deficient on a multitude of issues, these three areas are the most disconcerting:

Medicaid. We strongly oppose the reconciliation instructions included in this budget resolution that require the Energy and Commerce Committee to explicitly reduce mandatory spending by nearly \$2.2 billion over 5 years. We are concerned that Medicaid will be the target of these cuts in spending. [In fact, when questioned about where the reductions would come from, Chairman Nussle acknowledged that Medicaid "was a potential opportunity for savings."]

As the National Governors Association recently wrote, federal funding reductions in Medicaid would "force states to implement even deeper cuts by restricting eligibility, eliminating or reducing critical health benefits, and cutting or freezing provider reimbursement rates." This is certainly not a time when the federal government should be pursuing policy that could add millions more Americans to the ranks of the uninsured, and further damage the fragile health care safety net and critical provider networks.

Jobs - The budget being considered would essentially adopt the President's six-year Transportation funding level of \$256 billion, which is \$62 billion less than the \$318 billion approved by a strong bipartisan majority just three weeks ago in the Senate. This approach would not only be inadequate to maintain our transportation infrastructure, but it would cost nearly 500,000 jobs that could be created by adoption of the Senate transportation

bill. With the recent announcement of another month of very anemic job growth, it makes no sense for the House to pass a budget that refuses to fund so many good American jobs – jobs that cannot be shipped overseas.

Education – While this proposed budget increases some funding for education, it would nonetheless continue to under fund *No Child Left Behind* by nearly \$10 billion in FY 05 alone. Also, this budget would still have the federal government paying less than half of its share of special education funding. This means that state and local governments, who have not yet recovered from the worst fiscal crisis in 60 years, will once again be forced to pick up the cost of these federal mandates. This is unacceptable.

Instead of further undermining the federal-state partnership in these high priority areas, we believe the House should consider positive moves that would help limit the damage done to states over the last several years. Such policies should include:

- (1) extending enhanced FMAP support to the states (now set to expire in June);
- (2) providing funding for the \$1.2 billion that according to CBO - the Medicare prescription drug law will cost the states in the next two years; and
- (3) repealing the tax cuts for people who need them the least; and redirecting the funds to where the need is greatest.

We stand ready to work with you to develop a more balanced budget policy that does not shift responsibility and costs, but helps create jobs here at home, and strengthens the federal-state partnership for the delivery and financing of health care, road construction jobs and education.

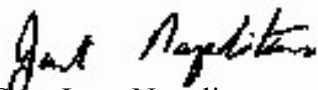
Sincerely,



Gov. Tom Vilsack
State of Iowa
Chair



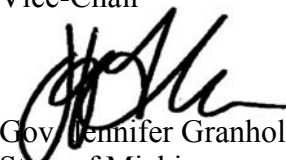
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Gov. Edward G. Rendell
Commonwealth of Pennsylvania
Finance Chair

CC: The Honorable Jim Nussle, Chairman House Budget Committee
The Honorable John M. Spratt, Ranking Democrat House Budget Committee